

SBOA Federal Uniform Guidance Training



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Uniform Guidance Training Topics



- ❧ Uniform Guidance – Grantee & Subgrantee Requirements
- ❧ Federal Program Compliance Requirements & UG Changes
- ❧ Federal Compliance Supplement Overview
- ❧ Review of Internal Controls – Auditee & Auditor Requirements
- ❧ Question & Answer Session
- ❧ Uniform Guidance – Audit Requirements & Changes

Uniform Guidance



- ❧ 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- ❧ Replaces:
 - ❧ Administrative Requirements (Common Rule), Circulars A-102, A-110, and A-89
 - ❧ Audit Requirements, Circulars A-133 and A-50
 - ❧ Cost Principles, Circulars A-21, A-87, and A-122

Uniform Guidance



- ❧ Subpart A – Acronyms and Definitions
- ❧ Subpart B – General Provisions
- ❧ Subpart C – Pre-Federal Award Requirements and Contents of Federal Awards
- ❧ Subpart D – Post Federal Award Requirements
- ❧ Subpart E – Cost Principles
- ❧ Subpart F – Audit Requirements

Uniform Guidance



☞ Subparts A - E

- ☞ Requirements that grantees and subgrantees must follow
- ☞ Criteria used to determine compliance with requirements during an audit

Uniform Guidance



Subparts A - E

- Effective for new Federal Awards made on or after December 26, 2014
 - NOTE: Can implement for awards made BEFORE 12/26/14 but ONLY if system-wide software change is necessary to implement Uniform Guidance
- For agencies that consider incremental funding actions on previously made awards to be opportunities to change award terms and conditions, the new requirements are effective for the first funding increment issued after December 26, 2014

Uniform Guidance



☞ Subparts A - E

- ☞ The effective date of the Uniform Guidance for subawards is the same as the effective date of the Federal award from which the subaward is made. The requirements for a subaward, no matter when made, flow from the requirements of the original Federal award from the Federal awarding agency.

Uniform Guidance



☞ Subparts A - E

☞ State agencies that pass Federal money through to subrecipients must notify the subrecipients of the effective date of the Federal award and which requirements apply.

☞ The grant agreements should contain this information.

Federal Compliance Requirements

Pre-Uniform Guidance Implementation (A-133)

vs.

Post Uniform Guidance Implementation (2 CFR 200)

Pre-UG – Activities Allowed or Unallowed

- Unique to each Federal program
- Found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program
- ARRA Unallowable Activities, if applicable:
 - Casino or other gambling establishments
 - Aquarium
 - Zoo
 - Golf Course
 - Swimming Pool

UG – Activities Allowed or Unallowed

- Unique to each Federal program
- Found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program
- ARRA Funding – Unallowed Activities

Pre-UG – Allowable Cost / Cost Principles

- Cost Circulars outline the conditions for allowability and the specific requirements that must be met with regard to Indirect Cost Rate Proposals and Cost Allocation Plans.
- Three Cost Principles Circulars
 - OMB Circular A-21 “Cost Principles for Educational Institutions (Universities)”
 - OMB Circular A-87 “Cost Principles for State, Local, and Indian Tribal Governments”
 - OMB Circular A-122 “Cost Principles for Non-Profit Organizations”

Pre-UG – Allowable Cost/Cost Principles – Basic Considerations

- Necessary and reasonable
- Allocable
- Authorized or not prohibited
- Conform to any limitations or exclusions set forth in the cost principles, Federal laws, terms and conditions of the award or other governing regulations as to types or amounts of cost items
- Be consistent with policies, regulations, and procedures
- Consistent treatment
- In accordance with GAAP (Unless otherwise stated)
- Not be included as a cost or used to meet cost sharing or matching requirements
- Net of all applicable credits
- Adequately documented
- Prior Written Approval – If required



Pre-UG – Allowable Cost/Cost

Principles: Indirect Costs

- **Definition:**
 - Incurred for a common or joint purpose benefiting more than one cost objective, and
 - Not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.
- Each Circular outlines the specific requirements that must be met if you are going to be charging indirect costs to your federal grants.
- Ways to Recover Indirect Costs
 - Rate
 - Allocated or Billed
- Must have documentation to show how indirect costs will be applied
 - Indirect Cost Rate Proposal (Rate)
 - Cost Allocation Plan (Allocated or Billed)

Indirect Cost Rates

- Based on a fraction in which
- Numerator = Total Allowable Indirect Costs
- Denominator = a “base”
 - Examples may include but are not limited to:
 - Direct Salaries and Wages including (or excluding) all fringe benefits
 - Total Direct Costs excluding certain items
 - Modified Total Direct Costs
- Resulting % will be applied to the base to determine indirect costs which may be charged to awards

$$\frac{\text{Total Allowable Indirect Costs}}{\text{Direct Cost Base}} = \text{Cost Rate \%}$$

Cost Allocation Plans

- Central Service Cost Allocation Plan
 - Documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided on a centralized basis to departments and agencies. Costs of these services may be allocated or billed to users.
- Public Assistance Cost Allocation Plan
 - State agencies that administer public assistance programs
 - Narrative description of the procedures that will be used in identifying, measuring and allocating all administrative costs to all of the programs administered or supervised by State public assistance agencies
 - Federal programs typically administered by State public assistance agencies and that are included in the PACAP are:
 - Temporary Assistance for Needy Families
 - Medicaid
 - Supplemental Nutrition Assistance Program
 - Child Support Enforcement
 - Foster Care
 - Adoption Assistance
 - Social Services Block Grant

Consistent Treatment

- Rule: If costs are charged directly to a federal grant, the same type of costs cannot be included in the indirect cost pool, as this will result in double-charging to federal grants.
 - Circular A-87 states in part: “A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.”

Consistent Treatment

- Example: Assume a unit has an accounting office with 5 accountants and 1 of the accountants works exclusively on a federal program. The unit has two options on charging accounting costs to the federal program:
 1. **The unit could include the entire accounting office in the indirect cost pool (all 5 accountants – all charged to nonfederal funds), and recover the proportional accounting costs through the indirect cost rate;**
 2. **The unit could direct charge the single accountant to the federal program and exclude all accounting costs from the indirect cost pool**

Consistent Treatment

- However, the unit could not classify 4 accountants as indirect and include them in the indirect cost pool and classify 1 accountant as direct and direct charge that accountant to the federal program.
- This violates the “consistent treatment” rule and results in double-charging the federal program for accounting services because the federal program is not receiving a benefit from the 4 accountants in the indirect cost pool.

Pre-UG – Allowable Cost/Cost Principles

A-87 (Special Procedures: Indirect Costs)

- Special Procedures: Indirect Costs
 - Department or Agency Costs
 - **Normally charged to Federal awards by use of an indirect cost rate**
 - Required Documentation
 - Testing of Cost Pools and Allocation methods (Prior Years Data)
 - Testing of Charges
 - Central Service Costs
 - **Normally allocated or billed to Federal awards**
 - Required Documentation
 - Special Test of Allocated Section I Costs
 - Special Test of Billed Section II Costs
 - State Public Assistance Agency Costs
 - **Normally charged to Federal awards by a Public Assistance Cost Allocation Plan**
 - Submission Requirements
 - Required Documentation
 - Test Allocation Methods
 - Test of Charges

Pre-UG – Allowable Cost/Cost Principles – Selected Items of Cost

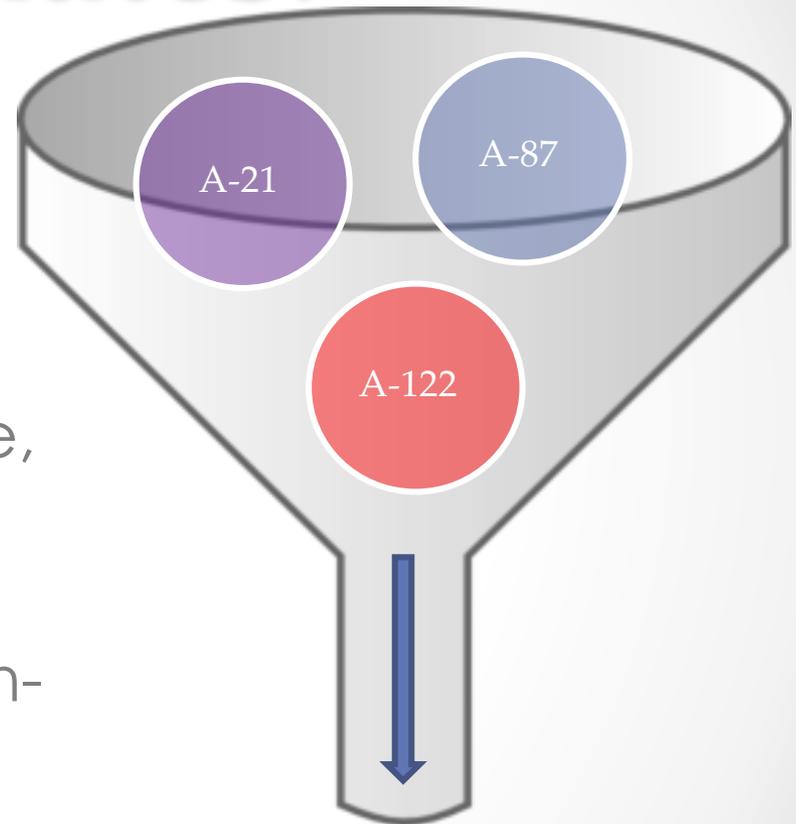
Time and Effort Reporting



Selected Items of Cost Exhibit 1 (amended 6/04)			
<i>Selected Cost Item</i>	<i>OMB Circular A-87, Attachment B State, Local, & Indian Tribal Gov'ts</i>	<i>OMB Circular A-21, Section J Educational Institutions</i>	<i>OMB Circular A-122, Attachment B Non-Profit Organizations</i>
Compensation for personal services	(8)-Unique criteria for support	(10)-Unique criteria for support	(8)-Unique criteria for support
Compensation for personal services - organization-furnished automobile	Not specifically addressed	(10.g)- Unallowable for that portion of costs attributed to personal use	(8.g)- Unallowable for that portion of costs attributed to personal use
Compensation for personal services - sabbatical leave costs	Not specifically addressed	(10.f(4))- Allowable with restrictions	Not specifically addressed
Compensation for personal services - severance pay	(8)-Allowable with restrictions	(10.h)-Allowable with restrictions	(8.k)-Allowable with restrictions
Contingency provisions	(9)-Unallowable with exceptions	(11)-Unallowable with exceptions	(9)-Unallowable with exceptions
Deans of faculty and graduate schools	Not addressed	(12)-Allowable	Not addressed

New Uniform Guidance Consolidates:

- A- 21 (Cost Principles for Educational Institutions (Universities))
- A-87 (Cost Principles for State, Local, and Indian Tribal Governments)
- A-122 (Cost Principles for Non-Profit Organizations)



Uniform
Guidance
Subpart E

APPLIES TO FEDERAL AWARDS MADE PRIOR TO DECEMBER 26, 2014			After December 26, 2014
2 CFR Part 225 (OMB Circular A-87) State/Local	2 CFR Part 220 (OMB Circular A-21) Universities	2 CFR Part 230 (OMB Circular A-122) Non-Profit	2 CFR Part 200 (Uniform Guidance: Subpart E)
A. General Principles	A. Purpose and Scope	A. Basic Considerations	General Provisions
- Purpose and Scope	B. Definitions	B. Direct Costs	Basic Considerations
- Definitions	C. Basic Considerations	C. Indirect Costs	- Special Considerations
- Basic Guidelines		D. Allocation of Indirect Costs and Determination of Indirect Cost Rates	Direct and Indirect (F&A) Costs
- Composition of Cost	D. Direct Costs		- Appendix III Indirect (F&A) Costs Identification and Assignment, and Rate Determination for IHE's
- Direct Costs	E. Facilities and Administration Costs (F&A)	E. Negotiation and Approval of Indirect Cost Rates	- Appendix IV Indirect (F&A) Costs Identification and Assignment and Rate Determination for Non-profit Organizations
- Indirect Costs	F. Identification and Assignment of F&A Costs		- Appendix V State/Local Government wide Central Service Cost Allocation Plans
- Required Certifications	G. Determination and application of F&A cost rate or rates		- Appendix VI Public Assistance Cost Allocation Plans
B. Select Items of Cost	H. Simplified method for small institutions		- Appendix VII States and Local Government and Indian Tribe Indirect Cost Proposals
C. Cost Allocation Plans	I. Reserved		- Appendix IX Hospital Cost Principles
D. Public Assistance Cost Allocation Plans	J. Select Items of Cost		Special Considerations for IHE's
E. Indirect Cost Rate Proposals	K. Certification of Charges		General Provisions for Selected Items of Cost

UG – Allowable Cost/Cost Principles

Basic Considerations

- Necessary and Reasonable
- Allocable
- Authorized or not Prohibited
- Conform to any limitations or exclusions set forth in the cost principles, Federal laws, terms and conditions of the award or other governing regulations as to types or amounts of cost items
- Be consistent with policies, regulations, and procedures
- Consistent treatment
- In accordance with GAAP (Unless otherwise stated)
- Not be included as a cost or used to meet cost sharing or matching requirements
- Net of all applicable credits
- Adequately documented
- Prior Written Approval – If required



UG – Allowable Cost/Cost Principles

Indirect Costs

- Ways to Recover Indirect Costs
 - Rate (Calculated or **De Minimis rate of 10%**)
 - Allocated or Billed
- Must have documentation to show how indirect costs will be applied
 - Indirect Cost Rate Proposal (Negotiated Rate)
 - **De Minimis Rate (10% x Modified Total Direct Costs Base)**
 - Cost Allocation Plan (Allocated or Billed)

UG – Allowable Cost/Cost Principles

Indirect Cost Rate (Negotiated)

$$\frac{\text{Total Allowable Indirect Costs}}{\text{Direct Cost Base}} = \text{Cost Rate \%}$$

- Negotiated rates must be approved by Federal cognizant agency
- A unit that has a current federally negotiated rate may apply for a one-time extension of the rates in that agreement for a period of up to four years.
- At the end of the 4-year extension, the unit must re-apply to negotiate a rate
- Subsequent one-time extensions (up to 4 years) are permitted

UG – Allowable Cost/Cost Principles

De Minimis Rate

- Non-federal entities may receive a de minimis indirect cost rate of 10% of Modified Total Direct Costs (MTDC) *if* the non-federal entity never had a negotiated indirect cost rate AND has not received over \$35 million in direct federal awards
 - Received without any review of actual costs
 - De Minimis rate is allowable for use indefinitely
 - MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award)
 - MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.
 - Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs

UG – Allowable Cost / Cost Principles

- In General:
 - Direct and Indirect Costs will still be tested for allowability
 - Special Procedures will still be performed for indirect costs
- **Uniform Guidance** outlines the conditions for allowability and special procedures that must be performed
 - 2 CFR 200.420 – 200.475 – Allowable – Certain Selected Items of Cost
 - 2 CFR 200 Appendices III – VII – Indirect Costs

UG – Allowable Cost/Cost Principles

Special Procedures: Indirect Costs

- Special Procedures (Applicable to all types of units)
 - De Minimis Rate (10%)
 - Eligibility
 - Test of Transactions
- Special Procedures (State/Local Governments)
 - Indirect Cost Rate Proposal
 - Required Documentation
 - Testing of Cost Pools and Allocation methods (Prior Years Data)
 - Testing of Charges
 - Government-Wide Central Service Costs (SWCAP)
 - Required Documentation
 - Special Test of Allocated Section I Costs
 - Special Test of Billed Section II Costs
 - State Public Assistance Agency Costs (PACAP)
 - Submission Requirements
 - Required Documentation
 - Test Allocation Methods
 - Test of Charges

UG – Allowable Cost/Cost Principles

Selected Items of Cost

Selected Items of Cost - Exhibit 1						
<i>Selected Cost Item</i>	<i>Uniform Guidance General Reference</i>	<i>Items of Cost Requiring Prior Approval</i>	<i>States, Local Governments, Indian Tribes</i>	<i>Institutions of Higher Education</i>	<i>Nonprofit Organizations</i>	<i>Items of Cost NOT Treated the Same Across Non-Federal Entities</i>
Commencement and convocation costs	§200.429		Not specifically addressed	Unallowable with exceptions	Not specifically addressed	X
Compensation for personal services	§200.430	X (related to the salaries of administrative and clerical staff)	Allowable with restrictions; Special conditions apply (e.g., §200.430(i)(5))	Allowable with restrictions; Special conditions apply (e.g., §200.430(h))	Allowable with restrictions; Special conditions apply (e.g., §200.430(g))	X
Compensation – fringe benefits	§200.431	X (related to costs for IHEs)	Allowable with restrictions	Allowable with restrictions; Special conditions apply	Allowable with restrictions	X
Conferences	§200.432		Allowable with restrictions	Allowable with restrictions	Allowable with restrictions	

Time and Effort Reporting



Pre-UG – Cash Management

- States:
 - Enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs
 - Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205.33
 - **“A State must minimize the time between the drawdown of Federal funds from the Federal gov’t and their disbursement for Federal program purposes.”**
- Pass-Through Entities:
 - Monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amounts as apply to the pass-through entity

UG – Cash Management

- Grants and Cooperative Agreements:
 - All Non-Federal Entities
 - Must establish written procedures to implement the requirements of **2 CFR §200.305** to minimize the time elapsing between the transfer of funds and disbursement of funds
 - States
 - Enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs
 - Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205

UG – Cash Management

- **Cost-Reimbursement Contracts Under the FAR**
 - Reimbursement is the predominant method of funding – **48 CFR section 52.216-7(b)**
 - Requires that the non-Federal entity request reimbursement for
 - Only allocable, allowable, and reasonable contract costs that have already been paid, or
 - If the non-Federal entity is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid
 - If using advance payment, the non-Federal entity is required to account for interest earned on advances from the Federal Government in accordance with **48 CFR section 52.232-12(f)**
 - FAR prohibits use of cost-reimbursement contracts to acquire commercial items
 - Example – Research & Development Projects, Development of weapons system
- **Loans, Loan Guarantees, Interest Subsidies, and Insurance**
 - Must comply with applicable program requirements for payment
 - Example of Loan Program – CFDA # 84.038 Federal Perkins Loan Program
- **For Pass-Through Entities**
 - Monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of funds to the subrecipient and their disbursement for program purposes is minimized

Pre-UG – Eligibility

- Eligibility
 - Determining if a specific client, LEA, contractor, and/or sub-recipient is eligible to receive the benefits offered by the federal program.
- Unique to each Federal program
- Found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program



UG – Eligibility

- Eligibility
 - Determining if a specific client, LEA, contractor, and/or sub-recipient is eligible to receive the benefits offered by the federal program.
- Unique to each Federal program
- Found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program

Pre-UG – Equipment and Real Property Management

- Equipment Management:
 - State:
 - Use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures (IC 4-13-1-20(b))
 - **IC 4-13-1-20(b) states: “The department shall do both of the following: (1) Provide for the periodic inspection, appraisal, and inventory of all of the state’s property. (2) Require reports from each state agency concerning the property in the custody of each state agency. (c) The department may adopt rules under IC 4-22-2 to govern the protection and custody of the property of the state.”**
 - Subrecipients of States who are Local Governments:
 - Use State laws and procedures for equipment acquired under a subgrant from a State (Accounting and Uniform Compliance Guidelines Manuals)

Pre-UG – Equipment and Real Property Management

- Real Property Management:
 - Non-Federal entity shall request disposition instructions when real property is no longer needed for federally supported programs or projects
 - Recipient makes request to Federal awarding agency
 - Subrecipient makes request to pass-through entity
 - If real property is sold, non-Federal entities are normally required to remit to the awarding agency the Federal portion of net sales proceeds
 - If real property is retained, non-Federal entity shall normally compensate the awarding agency for the Federal portion of the current FMV of the property
 - Disposition instructions may also provide for transfer of title
 - Non-Federal entity is entitled to compensation for its percentage share of the current FMV

UG – Equipment and Real Property Management

- Equipment Management – Grants and Cooperative Agreements: **2 CFR 200.313**
 - State:
 - Use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures (IC 4-13-1-20(b))
- Real Property Management – Grants and Cooperative Agreements: **2 CFR 200.311**
 - Used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber title to or other interests in the real property
 - Must obtain disposition instructions from the Federal awarding agency or the pass-through entity when real property is no longer needed for the originally authorized purpose
 - If sold, non-Federal entity must compensate the Federal agency's interest in the real property
 - If retained, non-Federal entity must compensate the Federal awarding agency for the Federal portion of the current FMV of the property
 - If title is transferred to the Federal awarding agency, the non-Federal entity is entitled to the non-Federal interest in the property

UG – Equipment and Real Property Management

- Equipment and Real Property Management – Cost-Reimbursement Contracts Under FAR:
 - 48 CFR section 52.245-1
 - FAR requires:
 - A system of internal controls to manage property
 - Be used for performing the contract for which it was acquired
 - Property records be maintained
 - Physical inventory be periodically performed, recorded, and disclosed
 - Must not dispose of inventory until authorized by the Federal awarding agency

Pre-UG – Matching, Level of Effort, Earmarking

- Unique to each Federal program
- Found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program

UG – Matching, Level of Effort, Earmarking

- Unique to each Federal program
 - Matching - 2 CFR 200.306 – Criteria for Acceptable Costs & Contributions
- Found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program

Matching, Level of Effort, Earmarking

- **Matching (or cost sharing)** – includes requirements to provide contributions of a specified amount or percentage to match Federal awards
- **Level of Effort** – includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services
- **Earmarking** – includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients

Pre-UG – Period of Availability of Federal Funds

- Unique to each Federal program
- Found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program

Pre-UG – Period of Availability of Federal Funds

- When a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency
 - If authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period
 - Obligations Incurred- mean the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or future period
- Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period

UG – Period of Performance

- Unique to each Federal program
- Found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program

UG – Period of Performance

- When a funding period is specified, a non-Federal entity may charge to the award only **allowable** costs incurred during the period of performance and any pre-award costs authorized by the Federal awarding agency – **2 CFR 200.309**
 - If authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period
- Non-Federal entities shall liquidate all obligations incurred under the award not later than 90 days after the end of the period of performance – **2 CFR 200.343**
 - Obligations mean the amounts of orders placed for property and services, contracts and subawards made, and similar transactions during a given period that will require payment by the non-Federal entity during the same or future period – **2 CFR 200.71**

Pre-UG – Procurement and Suspension and Debarment

- Procurement:
 - States and Subrecipients of States:
 - Use the same State policies and procedures used for procurements from non-Federal funds (IC 5-22)
 - Must ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations

Pre-UG – Procurement and Suspension and Debarment

- Suspension and Debarment:
 - Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred
 - Covered transactions include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR 180.220
 - All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR 180.215
 - When a non-Federal entity enters into a covered transaction with an entity at a lower-tier, the non-Federal entity must verify that the entity is not suspended or debarred
 - Checking the *Excluded Parties List System (EPLS)* (SAM Website);
 - Collecting a certification from the entity; or
 - Adding a clause or condition to the covered transaction with that entity

UG – Procurement and Suspension and Debarment

- Procurement – Grants and Cooperative Agreements

- States: **2 CFR 200.317**

- Must use the same policies and procedures used for procurements from non-Federal funds (IC 5-22)

- Non-Federal Entities Other Than States:

- Must use their own documented procurement procedures
- Must meet the general procurement standards in 2 CFR 200.318
- Must conduct all procurement transactions in a manner providing full and open competition
- Must use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR 200.320(a) and(b)
- Must use one of three methods when an acquisition exceeds the simplified acquisition threshold
 - Sealed bid method
 - Competitive proposals method
 - Noncompetitive proposals method
- Must perform a cost or price analysis with every procurement in excess of the simplified acquisition threshold, including contract modifications
- Must ensure that every purchase order or other contract includes applicable provisions required by 2 CFR 200.326

- Procurement – Cost-Reimbursement Contracts

- Non-Federal entity receiving cost-reimbursement contracts under FAR must comply with the following requirements when awarding subcontracts

- 48 CFR part 03, 15, and 44;
- Clauses at 48 CFR section 52.244-2, 52.244-5, 52.203-13, 52.203-16, and 52.215-12; and
- Terms and conditions of the contract

New Procurement Standards Exception

- 2 CFR Part 200.110 states in part:
 - ...For the procurement standards in §200.317-200.326, non-Federal entities may continue to comply with the procurement standards in previous OMB guidance for one additional fiscal year after this part goes into effect (December 26, 2014). If a non-Federal entity chooses to use the previous procurement standards for an additional fiscal year before adopting the procurement standards in this part, the non-Federal entity must document this decision in their internal procurement policies.

UG – Procurement and Suspension and Debarment

- Suspension and Debarment
 - Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred
 - Covered transactions include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR 180.220
 - All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR 180.215
 - When a non-Federal entity enters into a covered transaction with an entity at a lower-tier, the non-Federal entity must verify that the entity is not suspended or debarred
 - Checking the *Excluded Parties List System (EPLS)* (SAM Website);
 - Collecting a certification from the entity; or
 - Adding a clause or condition to the covered transaction with the entity
 - Cost-Reimbursement Contracts under FAR
 - 48 CFR section 9.405-2(b)

Pre-UG – Program Income

- Gross income received that is directly generated by the federally funded project during the grant period
 - Includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds
 - Does not include interest on grant funds, rebates, credits, discounts, refunds, and proceeds from the sale of equipment or real property
- May be used in one of three methods:
 - Deducted from outlays
 - Default method unless specified in the Federal awarding agency regulations or the terms and conditions of the award
 - Added to the project budget
 - Default method for R&D activities by universities or hospitals
 - Used to meet matching requirements
- No obligations regarding program income earned after the end of the grant period unless specified in awarding agency regulations or in the terms and conditions of the award

UG – Program Income

- Gross income received that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance
 - Includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired under Federal awards, the sale of commodities or items fabricated under Federal awards, **license fees and royalties on patent and copyrights (except as provided below)**, and payments of principal and interest on loans made with Federal award funds
 - Does not include interest earned on advances of Federal funds, rebates, credits, or discounts; **taxes, special assessments, levies, fines, and other such revenue raised by a non-Federal entity**; proceeds from the sale of equipment or real property; **or royalties or income earned by a University on inventions conceived or first actually reduced to practice in the performance of work under a funding agreement with a Federal agency that is shared with the inventor**
 - **2 CFR 200.80 – Definitions & Examples of what is and what is NOT considered program income.**
- May be used in one of three methods: **2 CFR 200.307**
 - Deducted from outlays
 - Default method unless specified in the Federal awarding agency regulations or the terms and conditions of the award
 - Added to the project budget
 - Default method for R&D activities by universities
 - Used to meet cost sharing or matching requirements
- No obligations regarding program income earned after the end of the grant period unless specified in awarding agency regulations or in the terms and conditions of the award

Pre-UG – Reporting

- Financial Reporting
 - Recipient:
 - Use the standard financial reporting forms
 - Must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency
 - Standard Financial Reporting Forms – Request for Advance or Reimbursement (SF-270), Outlay Report and Request for Reimbursement for Construction Programs (SF-271), Federal Financial Report (SF-425/SF-425A)
- Performance Reporting
 - Recipient may be required to submit performance reports at least annually but not more frequently than quarterly
- Special Reporting
 - Non-Federal entities may be required to submit other reporting which may be used by the Federal agency for such purposes as allocating program funding

UG – Reporting

- Financial Reporting: **2 CFR 200.327**
 - Recipient:
 - Use the standard financial reporting forms
 - Must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency
 - Standard Financial Reporting Forms – Request for Advance or Reimbursement (SF-270), Outlay Report and Request for Reimbursement for Construction Programs (SF-271), Federal Financial Report (SF-425/SF-425A)
- Performance and Special Reporting: **2 CFR 200.328**
 - Recipient may be required to submit performance reports at least annually but not more frequently than quarterly
 - Non-Federal entities may be required to submit special reports **as required by the terms and conditions of the Federal award**

Pre-UG – Subrecipient Monitoring

- Pass-through entity is responsible for:
 - Determining subrecipient eligibility
 - SAM Registration – Suspended or Debarred?
 - Award Identification – Given BEFORE award is available to spend.
 - State Examiner Memo issued March 14, 2014 – Info Required on ACHs
 - During-the-Award Monitoring
 - Program complexity, percentage passed through, amount of awards, and subrecipient risk may affect the types of monitoring activities
 - Reporting
 - Site visits
 - Regular contact
 - Subrecipient Federal Audits – Federal Audit Required? If so, any findings? Corrective Action follow-up? Management Decision Letter Issued?
 - Ensuring Accountability of For-Profit Subrecipients
 - Impact of subrecipients activities on the pass-through entity's ability to comply
- Pass-through entity may arrange agreed-upon procedures engagements to target the areas of greatest risk

UG – Subrecipient Monitoring

- Pass-through entity must: **2 CFR 200.331 & 501 (h)**
 - Identify the award and applicable requirements
 - The award as a subaward
 - All requirements imposed by the pass-through entity on the subrecipient
 - Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility
 - **Evaluate risk of noncompliance for each subrecipient for purposes of determining the appropriate subrecipient monitoring related to the subaward**
 - **Based on assessed risk of noncompliance, the following monitoring tools may be useful**
 - **Provide training and technical assistance**
 - Performing on-site reviews
 - Arranging for agreed-upon-procedures engagements
 - Monitoring of the subrecipient must include
 - Reviewing financial and programmatic reports required by the pass-through entity
 - Following-up and ensuring the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award detected through audits, on-site reviews, and other means
 - Issuing a management decision for audit findings pertaining to the Federal award
 - Verify that subrecipients were audited that should have been audited
 - **\$750,000 for audit period beginning AFTER 12/26/14 (CY 2015, FY 2016)**
 - Ensuring accountability of for-profit subrecipients

Pre-UG – Special Tests and Provisions

- Unique to each Federal program
- Found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program
- For ARRA Funding
 - Separate Accountability for ARRA Funding
 - Presentation on the SEFA and DCF
 - Subrecipient Monitoring

UG – Special Tests and Provisions

- Unique to each Federal program
- Found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program

Exceptions and Additions to 2 CFR Part 200

- <https://cfo.gov/wp-content/uploads/2014/12/Agency-Exceptions.pdf>

Questions?

Compliance Supplement



❧ The June 2016 Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2015.

❧ Not yet released – Usually comes out in July

❧ Can find it at www.whitehouse.gov/omb/circulars/

2015 Compliance Supplement



- ❧ Part 1 – Background, Purpose, and Applicability
 - ❧ Effective for audits of fiscal years beginning *after June 30, 2014*
- ❧ Part 2 – Matrix of Compliance Requirements
- ❧ Part 3 – Compliance Requirements
 - ❧ Applicable compliance requirements hinge on the Federal award date, which means the date when the Federal award is signed by the authorized official of the Federal awarding agency. *The effective date for subawards is the same effective date of the Federal award from which the subaward is made.*
 - ❧ Part 3.1 – Applies to Federal awards made prior to December 26, 2014
 - ❧ A-102 Common Rule, OMB Circular A-110, and OMB Cost Principles Circulars (A-21, A-87, and A-122)
 - ❧ Part 3.2 – Applies to Federal awards made on or after December 26, 2014
 - ❧ 2 CFR Part 200 Uniform Guidance

2015 Compliance Supplement



Part 4 – Agency Program Requirements

I. Program Objectives

II. Program Procedures

III. Compliance Requirements

Always includes the following compliance requirements when Part 2 shows requirement as applicable: A. Activities Allowed or Unallowed; E. Eligibility; G. Matching, Level of Effort, Earmarking; L. Reporting; and N. Special Tests and Provisions

Other seven compliance requirements generally are not specific to a program and not listed in Part 4. However, if one of the seven compliance requirements has information specific to a program, the information will be provided in Part 4.

Still need to refer to Part 3 for general description and overview for ALL compliance requirements.

IV. Other Information

With exception to Special Tests and Provisions, refer to Part 3 for general information that pertains to the compliance requirement.

Certain Federal agencies have Cross-Cutting Sections that apply to multiple grants under the Federal agency.

2015 Compliance Supplement



- ❧ Part 5 – Clusters of Programs
 - ❧ For Research & Development and Student Financial Aid, Part 5 is equivalent to Part 4
- ❧ Part 6 – Internal Control
 - ❧ No detailed information currently in this section
 - ❧ Refers to COSO's updated *Internal Control – Integrated Framework* and GAO's Green Book for guidance
- ❧ Part 7 – Guidance for Auditing Programs not Included in this Compliance Supplement
- ❧ Appendices

Internal Controls - Overview



- ❧ Internal Controls – Chapter 2, Accounting & Uniform Compliance Manual for State & Quasi Agencies
- ❧ Internal Control Over Compliance Requirements for Federal Awards – **2 CFR 200.62**
 - ❧ Internal Control Over Compliance Requirements for Federal awards means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:
 - ❧ Transactions are properly recorded & accounted for, in order to:
 - ❧ Permit the preparation of reliable financial statements and federal reports
 - ❧ Maintain accountability over assets; and
 - ❧ Demonstrate compliance with federal statutes, regulations, and the terms and conditions of the Federal award:
 - ❧ Transactions are executed in compliance with:
 - ❧ Federal statutes, regulations, and the terms and conditions of the federal award that could have a direct and material effect on a federal program; and
 - ❧ Any other federal statutes and regulations that are identified in the compliance supplement; and
 - ❧ Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

Internal Controls - Overview

5 Components of Internal Control:

<http://www.gao.gov/assets/670/665712.pdf> - GAO Green Book

- ☞ Control Environment – Refers to the attitude of management and staff regarding internal controls. Do you take internal controls seriously, or do you ignore them?
- ☞ Risk Assessment – Identifying your riskiest areas and implementing controls to prevent or detect errors or fraud that could result in material misstatements.
- ☞ Control Activities – Policies & procedures you have implemented that help ensure that management's directives are carried out.
- ☞ Information & Communication – Ensuring information is recorded and communicated to management and other staff who need it in a manner that enables them to carry out the internal control and other responsibilities.
- ☞ Monitoring – Management's evaluation of internal controls and the effectiveness of those internal controls implemented.

Internal Controls – Auditee Requirements

- ❧ Non-Federal Entity MUST:
 - ❧ Establish & maintain effective internal control over the federal award
 - ❧ Comply with federal statutes, regulations, and terms & conditions of the federal award
 - ❧ Evaluate & monitor their compliance with above items
 - ❧ Take prompt action when instances of non-compliance are identified, including non-compliance identified in audit finding
 - ❧ Take reasonable measures to safeguard protected personally identifiable information or other sensitive info

- ❧ Pre-UG – A-102 Common Rule & 2 CFR Part 215
- ❧ UG – 2 CFR 200.303

Internal Controls – Auditor Requirements



☞ 2 CFR 200.514(c) Scope of audit – *Internal Controls* (UG):

☞ Requires auditor to perform procedures to obtain an understanding of internal controls over federal programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program - 2 CFR 200.514(c)(2)

☞ SBOA Procedures

☞ Gain understanding of processes, procedures, controls identified for specific compliance requirements

☞ Requires auditor to plan testing of IC over compliance to support low assessed level of control risk - 2 CFR 200.514(c)(3)(i)

☞ SBOA Procedures

☞ Determine Key Controls over specific compliance requirement (**Tangible**)

☞ Evaluate if Key Control is designed and implemented properly

☞ Based on steps above, document the Initial Control Risk at Low, Moderate, High

☞ Perform testing of key controls as planned in above - 2 CFR 200.514(c)(3)(ii)

☞ SBOA Procedures

☞ Low, Moderate CR – Test effectiveness of key control identified (**Is it working?**)

☞ High CR – Not required to test key control for effectiveness, report deficiency in Federal Finding

Internal Controls – Auditor Requirements



- ❧ Based on testing of key controls completed (Design & Implementation & Effectiveness Testing):
 - ❧ Determined key controls to be effective in preventing or detecting material non-compliance
 - ❧ SBOA Procedures
 - ❧ Proceed to Compliance testing for specific compliance requirement
 - ❧ Determined key controls are NOT effective in preventing or detecting material non-compliance
 - ❧ SBOA Procedures
 - ❧ Increase Compliance testing based on evaluation of control risk
 - ❧ Required to report Significant Deficiency or Material Weakness in federal audit finding. - 2 CFR 200.516
 - ❧ Significant Deficiency - a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Deficiency noted adversely affects the entity's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected.
 - ❧ Material Weakness - a significant deficiency, or combination of significant deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Audit Requirements



œ Subpart F:

- œ Audit Requirements related to when a Single audit is necessary, major program determination, SEFA presentation and audit, required findings, etc.
- œ All guidance from Circular A-133 was included in Subpart F and updated as considered necessary.

Audit Requirements



- ❧ Subpart F:
- ❧ Applies to audits of fiscal years beginning on or after December 26, 2014
 - ❧ Calendar year audits for 2015 and beyond
 - ❧ Fiscal year audits beginning July 1, 2015 and beyond
 - ❧ Schools: Audit periods of July 1, 2015 to June 30, 2017 and beyond

Summary of Changes to Audit Requirements



- ❧ Uniform Guidance replaces the term *vendor* with *contractor*.
- ❧ Determination will now be made as to whether an entity is a subrecipient or a contractor.

Summary of Changes to Audit Requirements



- ❧ The threshold for reporting known questioned costs is increased to \$25,000.
- ❧ Known questioned costs must also be reported when likely questioned costs are greater than \$25,000.

Summary of Changes to Audit Requirements



- ❧ Audit findings must be reported in accordance with 2 CFR 200.516(a). Changes from section 510(a) of Circular A-133:
 - ❧ Both known and likely fraud affecting Federal awards are required to be reported in the Schedule of Findings and Questioned Costs, not just known fraud.
 - ❧ Significant instances of abuse related to major programs must be reported in the Schedule of Findings and Questioned Costs.

Summary of Changes to Audit Requirements



- ❧ The views of the responsible official must be included for all findings, not just those in which there is a disagreement.
- ❧ Corrective Action Plan Template, which is provided by SBOA, now includes a separate section for the views of the responsible officials.

Summary of Changes to Audit Requirements



- ❧ The Summary Schedule of Prior Audit Findings must include both Section II and Section III findings.
 - ❧ Section II Finding – Financial Statement Finding
 - ❧ Section III Finding – Major Program Finding

Summary of Changes to Audit Requirements



Subrecipients will no longer be required to submit the audit report directly to pass-through entities or to notify pass-through entities that an audit was conducted and no findings were included in the report.

Search on Federal Audit Clearinghouse Website

<https://harvester.census.gov/facdissem/SearchA133.aspx>

Search on SBOA Website

<http://www.in.gov/sboa/resources/reports/audit/>

Contact Sub-recipient

Summary of Changes to Audit Requirements



- Both the auditor and auditee must make sure that their respective parts of the reporting package do not include protected personally identifiable information.
- Auditors should ensure that findings do not include protected personally identifiable information.
- This means an individual's first name or first initial and last name in combination with social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, etc.



 Questions??